

**Part of the Financial
Statements
translated from the
Hebrew original**

ZUR SHAMIR HOLDINGS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2019

UNAUDITED

Please find attached an extract English translation of the Hebrew version of the interim consolidated financial statements of Zur Shamir Holdings Ltd. which were approved on August 25, 2019.

The full set of financial statements in Hebrew can be viewed on the website of the Israeli Securities Authority (<http://www.magna.isa.gov.il>).

ZUR SHAMIR HOLDINGS LTD.

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AS OF JUNE 30, 2019

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AUDITORS' REPORT

To the Shareholders of

ZUR SHAMIR HOLDINGS LTD.

Introduction

We have reviewed the accompanying financial information of ZUR SHAMIR HOLDINGS LTD. and its subsidiaries (hereunder - the Group) which comprise the condensed consolidated statements of financial position as of June 30, 2019, and the related condensed interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the period of six and three months then ended. The Company's Board of Directors and Management are responsible for the preparation and presentation of interim financial information for this period in accordance with IAS 34, "Interim Financial Reporting" and in accordance with the disclosure requirements as prescribed by the Supervisor of Insurance Business pursuant to the Supervision of Financial Services (Insurance) Law, 1981, and are also responsible for the preparation of financial information for this interim period in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent that these regulations apply to a corporation that unifies insurance companies. Our responsibility is to express a conclusion regarding the financial information for this interim period, based on our review.

We did not review the condensed interim financial information of consolidated subsidiaries whose assets constitute about 19.7% of the total consolidated assets as at June 30, 2019, and whose revenues constitute about 4.7% and 4.0% of the total consolidated revenues for the six and three-month period then ended, respectively. The condensed interim financial information of those companies was reviewed by other auditors whose review reports were furnished to us, and our opinion, insofar as it relates to the financial information in respect of those companies, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 1 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 and in accordance with the disclosure requirements as prescribed by the Supervisor of Insurance Business pursuant to the Supervision of Financial Services (Insurance) Law, 1981,

Conclusion (Cont.)

In addition to the abovementioned, based on our review and on the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent that these regulations apply to a corporation that unifies insurance companies.

Emphasis of Matter paragraph (directing attention)

Without qualifying our above conclusion, we draw attention to Note 5 to the financial statements regarding exposure to class actions and the approval of claims as class actions of a subsidiaries.

Tel-Aviv,
August 25, 2019

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>June 30,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
CURRENT ASSETS			
Cash and cash equivalents	1,430,744	1,352,284	1,259,157
Cash and cash equivalents for yield-dependent contracts	6,162	8,780	4,881
Financial assets	952,044	581,238	1,211,570
Derivatives	12,012	3,540	5,567
Outstanding insurance premiums	601,094	598,759	575,807
Debtors and receivables	213,945	163,575	162,481
Deposits	24,492	16,416	31,350
Current tax receivable	9,804	1,302	7,791
Reinsurance assets	174,930	66,665	137,416
Deferred acquisition costs	143,975	114,675	135,012
	<u>3,569,202</u>	<u>2,907,234</u>	<u>3,531,032</u>
Assets designated for sale	<u>1,428,542</u>	<u>1,190,155</u>	<u>1,183,274</u>
	<u>4,997,744</u>	<u>4,097,389</u>	<u>4,714,306</u>
NON-CURRENT ASSETS			
Financial assets	2,723,438	2,790,117	2,675,696
Derivatives	11,254	2,781	1,283
Investment property and investment property under construction	4,229,624	4,068,660	4,194,062
Reinsurance assets	553,067	326,942	389,099
Fixed assets	253,275	185,143	195,565
Deferred acquisition costs	208,358	203,768	206,057
Debtors and receivables	83,772	57,073	81,268
Deposits	128,136	110,844	98,076
Goodwill and intangible assets	363,326	322,925	343,849
Deferred taxes	9,492	9,204	9,744
	<u>8,563,742</u>	<u>8,077,457</u>	<u>8,194,699</u>
	<u>13,561,486</u>	<u>12,174,846</u>	<u>12,909,005</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>June 30,</u>		<u>December 31,</u>
	<u>2019</u>	<u>2018</u>	<u>2018</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>NIS in thousands</u>		
CURRENT LIABILITIES			
Financial liabilities	1,706,757	1,282,205	1,512,669
Creditors and payables	835,624	605,904	795,973
Current taxes payable	21,573	14,175	24,320
Derivatives	7,189	14,219	12,038
Liabilities for insurance contracts and investment contracts	<u>1,327,117</u>	<u>1,174,116</u>	<u>1,346,091</u>
	<u>3,898,260</u>	<u>3,090,619</u>	<u>3,691,091</u>
NON-CURRENT LIABILITIES			
Financial liabilities	5,424,295	5,103,984	5,346,195
Creditors and payables	111,097	36,205	36,770
Liabilities for insurance contracts and investment contracts	2,372,566	2,319,779	2,203,148
Liabilities for employee benefits	35,032	32,260	35,014
Derivatives	40,963	16,953	31,197
Deferred taxes	<u>205,276</u>	<u>188,210</u>	<u>187,366</u>
	<u>8,189,229</u>	<u>7,697,391</u>	<u>7,839,690</u>
EQUITY			
Share capital	144,174	143,085	143,947
Share premium	58,301	45,427	56,150
Reserves	(150,052)	(137,542)	(137,126)
Retained earnings	<u>346,872</u>	<u>332,662</u>	<u>313,039</u>
Total equity attributed to the Company's shareholders	399,295	383,632	376,010
Non-controlling interests	<u>1,074,702</u>	<u>1,003,204</u>	<u>1,002,214</u>
Total equity	<u>1,473,997</u>	<u>1,386,836</u>	<u>1,378,224</u>
	<u><u>13,561,486</u></u>	<u><u>12,174,846</u></u>	<u><u>12,909,005</u></u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in thousands (except for net earnings per share data)				
INCOME					
Premiums earned on retention	1,076,300	1,150,503	533,227	575,578	2,276,858
Income from lease of properties	119,776	116,728	61,083	58,868	236,962
Increase in value of investment property and property under construction, net	47,529	3,536	47,087	2,688	24,576
Net gains from investments and other finance income	77,970	33,380	46,785	24,283	67,943
Income from management fees	2,682	2,880	1,342	1,453	5,790
Income from grant of consumer credit	315,841	275,233	168,821	127,152	482,680
Income from commissions	48,371	23,129	26,553	13,850	64,872
Other income	6,350	168	81	-	176
Total income	1,694,819	1,605,557	884,979	803,872	3,159,857
EXPENSES					
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	742,969	800,222	363,003	400,155	1,586,734
Marketing and other acquisition expenses	288,353	256,858	144,851	133,552	552,502
Maintenance, administrative and general expenses	205,550	200,385	104,937	103,759	394,700
Finance expenses	157,591	116,096	105,409	67,109	252,324
Other expenses	124	367	124	238	532
Total expenses	1,394,587	1,373,928	718,324	704,813	2,786,792
Income before taxes on income	300,232	231,629	166,655	99,059	373,065
Taxes on income	108,501	95,178	63,433	42,701	148,832
Net income	191,731	136,451	103,222	56,358	224,233
Net income attributed to:					
Company's shareholders	63,233	39,140	31,363	14,574	52,475
Non-controlling interests	128,498	97,311	71,859	41,784	171,758
	191,731	136,451	103,222	56,358	224,233
Net earnings per share attributable to shareholders of the Company (in NIS)					
Basic earnings, net	0.98	0.61	0.48	0.23	0.82
Diluted earnings, net	0.96	0.60	0.48	0.21	0.80

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in thousands				
Net income	191,731	136,451	103,222	56,358	224,233
Other comprehensive income (loss) (after the tax effect):					
Amounts that will be reclassified subsequently to profit or loss					
Net change in respect of debt instruments measured at fair value through other comprehensive income (loss)	7,435	(4,274)	(254)	(2,887)	(9,854)
Net change in respect of debt instruments measured at fair value through other comprehensive income (loss) transferred to profit or loss	683	2,525	(403)	2,474	1,080
Loss from cash flow hedging transactions	(8,974)	(1,653)	(4,037)	(2,401)	(3,641)
Transfer to profit or loss in respect of cash flow hedging transactions, net	-	1,951	-	-	1,951
Adjustments resulting from the translation of financial statements of activities abroad	(27,395)	6,176	(326)	(3,862)	4,596
Amounts that will not be reclassified subsequently to profit or loss					
Revaluation of fixed assets	436	-	436	-	2,007
Loss from remeasurement in respect of defined benefit plan	-	-	-	-	(2,129)
Total other comprehensive income (loss)	(27,815)	4,725	(4,584)	(6,676)	(5,990)
Total comprehensive income	163,916	141,176	98,638	49,682	218,243
Total comprehensive income attributed to:					
Company's shareholders	50,283	41,666	29,571	11,813	50,907
Non-controlling interests	113,633	99,510	69,067	37,869	167,336
	163,916	141,176	98,638	49,682	218,243

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Non controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Total		
	NIS in thousands						
Balance at January 1, 2019 (Audited)	143,947	56,150	313,039	(137,126)	376,010	1,002,214	1,378,224
Net income	-	-	63,233	-	63,233	128,498	191,731
Total other comprehensive loss	-	-	-	(12,950)	(12,950)	(14,865)	(27,815)
Total comprehensive income (loss)	-	-	63,233	(12,950)	50,283	113,633	163,916
Cost of share-based payment	-	-	-	38	38	1,805	1,843
Realization of options to Company's shares	2	14	-	(14)	2	-	2
Issuance of share capital	225	2,137	-	-	2,362	-	2,362
Realization of options to shares in subsidiaries by non-controlling interests and acquisition of shares by subsidiary	-	-	(4,719)	-	(4,719)	(4,103)	(8,822)
Acquisition of subsidiary's shares	-	-	(12,681)	-	(12,681)	(7,418)	(20,099)
Dividend to Company's shareholders	-	-	(12,000)	-	(12,000)	-	(12,000)
Dividend to non- controlling interest holders	-	-	-	-	-	(31,429)	(31,429)
Balance at June 30, 2019 (Unaudited)	<u>144,174</u>	<u>58,301</u>	<u>346,872</u>	<u>(150,052)</u>	<u>399,295</u>	<u>1,074,702</u>	<u>1,473,997</u>
	Attributable to equity holders of the Company					Non controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Total		
	NIS in thousands						
Balance at January 1, 2018 (Audited)	143,085	45,427	336,831	(142,402)	382,941	1,011,209	1,394,150
Effect of first-time implementation of IFRS 9 and IFRS 15 standards	-	-	(28,294)	2,246	(26,048)	(29,836)	(55,884)
Balance as at January 1, 2018, after the first-time implementation	143,085	45,427	308,537	(140,156)	356,893	981,373	1,338,266
Net income	-	-	39,140	-	39,140	97,311	136,451
Total other comprehensive income	-	-	-	2,526	2,526	2,199	4,725
Total comprehensive income	-	-	39,140	2,526	41,666	99,510	141,176
Cost of share-based payment	-	-	-	88	88	2,258	2,346
Realization of options to shares in subsidiaries by non-controlling interests	-	-	(15)	-	(15)	614	599
Dividend to Company's shareholders	-	-	(15,000)	-	(15,000)	-	(15,000)
Dividend to non - controlling interest holders	-	-	-	-	-	(80,551)	(80,551)
Balance at June 30, 2018 (Unaudited)	<u>143,085</u>	<u>45,427</u>	<u>332,662</u>	<u>(137,542)</u>	<u>383,632</u>	<u>1,003,204</u>	<u>1,386,836</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Non controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Total		
	NIS in thousands						
Balance at April 1, 2019 (Unaudited)	143,949	56,159	333,049	(148,273)	384,884	1,022,133	1,407,017
Net income	-	-	31,363	-	31,363	71,859	103,222
Total other comprehensive loss	-	-	-	(1,792)	(1,792)	(2,792)	(4,584)
Total comprehensive income (loss)	-	-	31,363	(1,792)	29,571	69,067	98,638
Cost of share-based payment	-	-	-	18	18	815	833
Expiry of Company options	-	5	-	(5)	-	-	-
Issuance of share capital	225	2,137	-	-	2,362	-	2,362
Realization of options to shares in subsidiaries by non-controlling interests and acquisition of shares by subsidiary	-	-	(4,859)	-	(4,859)	(4,038)	(8,897)
Acquisition of subsidiary's shares	-	-	(12,681)	-	(12,681)	(7,418)	(20,099)
Dividend to non- controlling interest holders	-	-	-	-	-	(5,857)	(5,857)
Balance at June 30, 2019 (Unaudited)	<u>144,174</u>	<u>58,301</u>	<u>346,872</u>	<u>(150,052)</u>	<u>399,295</u>	<u>1,074,702</u>	<u>1,473,997</u>
	Attributable to equity holders of the Company					Non controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Total		
	NIS in thousands						
Balance at April 1, 2018 (Unaudited)	143,085	45,427	318,103	(134,825)	371,790	966,903	1,338,693
Net income	-	-	14,574	-	14,574	41,784	56,358
Total other comprehensive loss	-	-	-	(2,761)	(2,761)	(3,915)	(6,676)
Total comprehensive income (loss)	-	-	14,574	(2,761)	11,813	37,869	49,682
Cost of share-based payment	-	-	-	44	44	1,014	1,058
Realization of options to shares in subsidiaries by non-controlling interests	-	-	(15)	-	(15)	614	599
Dividend to non- controlling interest holders	-	-	-	-	-	(3,196)	(3,196)
Balance at June 30, 2018 (Unaudited)	<u>143,085</u>	<u>45,427</u>	<u>332,662</u>	<u>(137,542)</u>	<u>383,632</u>	<u>1,003,204</u>	<u>1,386,836</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Non controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Reserves	Total		
	Audited						
	NIS in thousands						
Balance at January 1, 2018	143,085	45,427	336,831	(142,402)	382,941	1,011,209	1,394,150
Effect of first-time implementation of IFRS 9 and IFRS 15 standards	-	-	(28,294)	2,246	(26,048)	(29,836)	(55,884)
Balance as at January 1, 2018, after the first-time implementation	143,085	45,427	308,537	(140,156)	356,893	981,373	1,338,266
Net income	-	-	52,475	-	52,475	171,758	224,233
Total other comprehensive loss	-	-	-	(1,568)	(1,568)	(4,422)	(5,990)
Total comprehensive income (loss)	-	-	52,475	(1,568)	50,907	167,336	218,243
Cost of share-based payment	-	-	-	176	176	4,499	4,675
Realization of options to Company's shares	12	59	-	(59)	12	-	12
Issue and acquisition of subsidiary's shares	-	-	(18,066)	4,481	(13,585)	(21,278)	(34,863)
Issuance of share capital	850	10,664	-	-	11,514	-	11,514
Realization of options to shares in subsidiaries by non-controlling interests	-	-	93	-	93	545	638
Dividend to Company's shareholders	-	-	(30,000)	-	(30,000)	-	(30,000)
Dividend to non- controlling interest holders	-	-	-	-	-	(130,261)	(130,261)
Balance at December 31, 2018	<u>143,947</u>	<u>56,150</u>	<u>313,039</u>	<u>(137,126)</u>	<u>376,010</u>	<u>1,002,214</u>	<u>1,378,224</u>

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in thousands				
Cash flows provided by (used in) current activities (Appendix A)	260,920	(238,898)	167,110	(108,620)	(406,991)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Settlement (grant) of deposits, net	(25,695)	60,043	(3,047)	60,942	55,900
Acquisition of fixed assets and investment property and investment property under construction	(84,235)	(150,328)	(30,748)	(103,130)	(266,003)
Interest paid and capitalized to the cost of investment property under construction	(5,393)	(3,250)	(3,753)	(2,044)	(6,822)
Proceeds from sale of fixed assets and investment property	1,990	1,652	1,840	753	2,917
Proceeds in respect of hedging transactions	3,534	1,030	3,264	563	1,378
Payment in respect of hedging transactions	(5,958)	(3,859)	(2,302)	(2,391)	(14,950)
Acquisition of intangible assets	(41,265)	(38,689)	(21,161)	(20,038)	(79,809)
Net cash used in investment activity	(157,022)	(133,401)	(55,907)	(65,345)	(307,389)
CASH FLOWS FROM FINANCE ACTIVITIES					
Settlement of CPI hedging transactions and interest rate determination	134	(2,968)	-	-	(2,698)
Acquisition of subsidiary's shares, net	(29,019)	-	(29,019)	-	(25,260)
Proceeds from the issue of Company bonds, net tax	244,313	402,336	244,313	402,336	647,979
Proceeds from the issue of bonds and subordinated deeds in subsidiary	204,168	473,576	204,168	36,130	694,274
Proceeds from realization of options to to subsidiary's shares	98	599	23	599	545
Proceeds from realization of options to to Company's shares	2	-	-	-	93
Issue of Company shares, net	2,362	-	2,362	-	11,526
Issue of shares, net of subsidiaries to non- controlling interests	-	-	-	-	(273)
Settlement of bonds and subordinated deeds in subsidiary	(253,784)	(168,099)	(102,546)	(101,652)	(282,307)
Settlement of Company bonds	(57,117)	(51,320)	(57,117)	(51,320)	(115,963)
Settlement of lease liability	(5,281)	-	(2,647)	-	-
Receipt of long-term loans from banking institutions and others, net	218,583	355,828	177,103	284,494	463,698
Settlement of long-term loans from banking institutions and others, net	(210,376)	(53,358)	(154,260)	(31,030)	(125,510)
Dividend paid to the shareholders of the Company	(12,000)	(15,000)	(12,000)	(15,000)	(30,000)
Dividend paid to non-controlling Interest holders	(29,506)	(132,079)	(29,506)	(74,383)	(181,789)
Net cash provided by finance activity	72,577	809,515	240,874	450,174	1,054,315
Exchange rate differences in respect of balances of cash and cash equivalents	(3,607)	(793)	1,127	(1,419)	(538)
Increase in cash and cash equivalents	172,868	436,423	353,204	274,790	339,397
Balance of cash and cash equivalents as at the beginning of period (App. B)	1,264,038	924,641	1,083,702	1,086,274	924,641
Balance of cash and cash equivalents as at the end of period (App. C)	1,436,906	1,361,064	1,436,906	1,361,064	1,264,038

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in thousands				
APPENDIX A - CASH FLOWS FROM CURRENT ACTIVITIES					
Net income	191,731	136,451	103,222	56,358	224,233
Adjustments to profit or loss items:					
Losses (profits) from financial investments for yield-dependent contracts	(18,994)	(860)	(6,709)	(2,233)	5,441
Profits from other financial investments	(260,074)	(201,218)	(148,389)	(107,747)	(348,737)
Depreciation and amortization	42,901	33,007	21,964	17,023	67,353
Loss (profit) from sale of fixed assets	(6)	367	2	238	532
Cost of share-based payment	1,843	2,346	833	1,058	4,675
Finance expenses, net	157,591	116,096	105,409	67,109	252,324
Investment losses (income), net and other finance expenses (income)	(19,961)	10,248	(11,717)	2,962	11,879
Increase in value of investment property	(47,529)	(3,536)	(47,087)	(2,688)	(24,576)
Taxes on income	108,501	95,178	63,433	42,701	148,832
	(35,728)	51,628	(22,261)	18,423	117,723
Other financial investments:					
Net sales (acquisitions) of financial investments	142,650	(163,260)	422,367	(200,569)	(636,661)
Acquisition and investment in investment property in consolidated insurance company	(76)	(16)	(76)	(16)	(16)
	142,574	(163,276)	422,291	(200,585)	(636,677)
Changes in asset and liability items:					
Change in liabilities for non-yield-dependent insurance contracts	144,539	272,778	15,284	107,640	346,216
Change in liabilities for yield-dependent contracts	5,905	(10,786)	(961)	(4,150)	(28,880)
Change in deferred acquisition costs	(11,264)	(20,502)	(4,439)	(4,596)	(23,800)
Change in reinsurance assets	(201,482)	(199,398)	(63,793)	(99,234)	(332,306)
Change in employee benefit liabilities	18	1,000	18	800	519
Short-term credit, net from banking institutions and others in respect of consumer credit grant activities	131,621	(305,839)	(253,314)	6,837	(176,397)
Change in outstanding premium	(25,287)	(58,054)	12,082	(5,965)	(35,102)
Change in debtors and receivables	(56,528)	(69,178)	(21,391)	(35,848)	(145,175)
Change in creditors and payables	72,423	94,895	27,841	71,384	281,591
	59,945	(295,084)	(288,673)	36,868	(113,334)
Cash paid and received during the period for:					
Interest paid	(123,889)	(107,768)	(61,338)	(49,582)	(228,335)
Interest received	115,020	128,737	52,217	55,000	257,875
Taxes paid	(129,779)	(45,323)	(41,416)	(27,750)	(89,116)
Taxes received	36,286	49,984	9	606	50,051
Dividend received	4,760	5,753	3,059	2,042	10,589
	(97,602)	31,383	(47,469)	(19,684)	1,064
Total cash flows provided by (used in) current activities	260,920	(238,898)	167,110	(108,620)	(406,991)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,		Three months ended June 30,		Year ended December 31,
	2019	2018	2019	2018	2018
	Unaudited				Audited
	NIS in thousands				
APPENDIX B - Cash and cash equivalents as at the beginning of the period					
Cash and cash equivalents for yield-dependent contracts	4,881	8,279	11,836	10,537	8,279
Other cash and cash equivalents	1,259,157	916,362	1,071,866	1,075,737	916,362
Balance of cash and cash equivalents as at the beginning of the period	<u>1,264,038</u>	<u>924,641</u>	<u>1,083,702</u>	<u>1,086,274</u>	<u>924,641</u>
APPENDIX C - Cash and cash equivalents as at the end of the period					
Cash and cash equivalents for yield-dependent contracts	6,162	8,780	6,162	8,780	4,881
Other cash and cash equivalents	1,430,744	1,352,284	1,430,744	1,352,284	1,259,157
Balance of cash and cash equivalents as at the end of the period	<u>1,436,906</u>	<u>1,361,064</u>	<u>1,436,906</u>	<u>1,361,064</u>	<u>1,264,038</u>
APPENDIX D - Significant non-cash activities					
Acquisition of fixed assets, investment property and investment property under construction against creditors and payables	<u>19,990</u>	<u>57,981</u>	<u>19,990</u>	<u>57,981</u>	<u>36,055</u>
Recognition of a right to use asset against a lease liability	<u>65,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Dividend declared and not yet paid to non-controlling interest holders	<u>1,923</u>	<u>-</u>	<u>1,923</u>	<u>-</u>	<u>-</u>

CONDENSED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

NOTE 3:- SEGMENTS OF ACTIVITY

a. The Company operates in the following segments of activity:

1. The segment of life assurance and long-term savings

The segment of life assurance and long term savings includes the lines of life assurance and it focuses on insurance coverage for various risks such as: death, disability, disability income insurance, etc. and on long term savings (in the framework of various types of insurance policies).

2. Health insurance segment

The segment of health insurance includes medical expenses, personal accident, dread disease and travel abroad.

3. General insurance segment

The segment of general insurance includes the liability and property branches. Pursuant to the Regulator of Insurance's directives, the general insurance segment is detailed according to the lines of motor act, motor casco, property and others and other liabilities.

a. The motor act insurance line of business

The motor act insurance line of business focuses on coverages that their acquisition by the owner of the vehicle or the driver is compulsory by law and it provides a coverage for bodily injuries (to the driver of the vehicle, the passengers in the vehicle or to the pedestrians), as a result of the use of the motor vehicle.

b. The motor casco line of business

The motor casco line of business focuses on the property damage coverage for the insured vehicle and property damages that the insured vehicle will cause to a third party.

c. Property and other branches

The rest of the insurance lines of business that are not vehicle and liabilities mainly residential line.

CONDENSED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)

a. The Company operates in the following segments of activity: (Cont.)

3. General insurance segment (Cont.)

d. Other liabilities branches

Liabilities lines are designated for coverage of the policyholder liabilities in respect of damage he causes to a third party. Including: third party liability, employers' liability and professional liability.

4. Granting of consumer credit segment

Includes granting of consumer credit activity for the acquisition of vehicles (mainly second hand), granting of credit for loans for any purpose and granting loans for special purposes in different businesses.

5. Investment property

Includes mainly the lease of office buildings in Israel, Canada, Poland and Belgium.

CONDENSED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder are the results of the segments of activity:

	Six months ended as at June 30, 2019										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				Total
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	131,942	124,435	118,228	634,267	58,963	8,465	819,923	-	-	1,076,300
Income from lease of properties	123,658	-	-	-	-	-	-	-	-	(3,882)	119,776
Increase in value of investment property and property under construction, net	47,529	-	-	-	-	-	-	-	-	-	47,529
Net gains from investments and other finance income	6,945	19,652	657	17,612	8,509	1,420	711	28,252	2,210	20,254	77,970
Income from management fees	-	2,682	-	-	-	-	-	-	-	-	2,682
Income from grant of consumer credit	-	-	-	-	-	-	-	-	316,131	(290)	315,841
Income from commissions	-	6,073	1,346	32,538	-	8,414	-	40,952	-	-	48,371
Other income	6,143	-	-	-	-	-	-	-	9	198	6,350
Total income	184,275	160,349	126,438	168,378	642,776	68,797	9,176	889,127	318,350	16,280	1,694,819
EXPENSES											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	77,331	49,843	107,234	467,923	37,237	3,401	615,795	-	-	742,969
Marketing and other acquisition expenses	-	35,411	34,527	33,341	79,123	16,198	1,060	129,722	88,693	-	288,353
Maintenance, administrative and general expenses	35,074	13,357	16,641	11,233	26,424	5,003	453	43,113	90,184	7,181	205,550
Finance expenses	67,329	91	68	938	480	197	-	1,615	29,107	59,381	157,591
Other expenses	-	-	-	-	-	-	-	-	1	123	124
Total expenses	102,403	126,190	101,079	152,746	573,950	58,635	4,914	790,245	207,985	66,685	1,394,587
Income (loss) before taxes on income	81,872	34,159	25,359	15,632	68,826	10,162	4,262	98,882	110,365	(50,405)	300,232
Other comprehensive income (loss) before taxes on income	(37,982)	51	39	7,217	3,487	581	292	11,577	-	668	(25,647)
Comprehensive income (loss) before taxes on income	43,890	34,210	25,398	22,849	72,313	10,743	4,554	110,459	110,365	(49,737)	274,585

CONDENSED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder are the results of the segments of activity: (Cont.)

	Six months ended as at June 30, 2018										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	126,135	116,895	215,403	615,423	68,378	8,269	907,473	-	-	1,150,503
Income from lease of properties	120,263	-	-	-	-	-	-	-	-	(3,535)	116,728
Increase in value of investment property and property under construction, net	3,536	-	-	-	-	-	-	-	-	-	3,536
Net gains (losses) from investments and other finance income (expenses)	(2,936)	1,736	677	17,498	5,848	1,180	565	25,091	119	8,693	33,380
Income from management fees	-	2,880	-	-	-	-	-	-	-	-	2,880
Income from grant of consumer credit	-	-	-	-	-	-	-	-	275,349	(116)	275,233
Income from commissions	-	5,871	1,290	10,787	-	5,181	-	15,968	-	-	23,129
Other income	-	-	-	-	-	-	-	-	60	108	168
Total income	120,863	136,622	118,862	243,688	621,271	74,739	8,834	948,532	275,528	5,150	1,605,557
EXPENSES											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	57,904	47,094	209,639	440,916	40,490	4,793	695,838	-	(614)	800,222
Marketing and other acquisition expenses	-	29,203	33,985	30,831	67,428	13,302	1,246	112,807	82,387	(1,524)	256,858
Maintenance, administrative and general expenses	33,934	11,188	14,588	10,646	22,865	4,225	351	38,087	90,221	12,367	200,385
Finance expenses	56,684	35	-	221	279	37	-	537	23,696	35,144	116,096
Other expenses	19	-	-	-	-	-	-	-	-	348	367
Total expenses	90,637	98,330	95,667	251,337	531,488	58,054	6,390	847,269	196,304	45,721	1,373,928
Income (loss) before taxes on income	30,226	38,292	23,195	(7,649)	89,783	16,685	2,444	101,263	79,224	(40,571)	231,629
Other comprehensive income (loss) before taxes on income	6,652	-	-	(955)	(319)	(65)	(31)	(1,370)	-	(1,288)	3,994
Comprehensive income (loss) before taxes on income	36,878	38,292	23,195	(8,604)	89,464	16,620	2,413	99,893	79,224	(41,859)	235,623

CONDENSED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder are the results of the segments of activity: (Cont.)

	Three months ended as at June 30, 2019										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	66,085	62,833	52,893	317,351	29,756	4,309	404,309	-	-	533,227
Income from lease of properties	63,121	-	-	-	-	-	-	-	-	(2,038)	61,083
Increase in value of investment property and property under construction, net	47,087	-	-	-	-	-	-	-	-	-	47,087
Net gains (losses) from investments and other finance income (expenses)	(1,567)	7,117	424	15,376	7,379	1,168	624	24,547	1,311	14,953	46,785
Income from management fees	-	1,342	-	-	-	-	-	-	-	-	1,342
Income from grant of consumer credit	-	-	-	-	-	-	-	-	168,961	(140)	168,821
Income from commissions	-	4,383	802	17,332	-	4,036	-	21,368	-	-	26,553
Other income	-	-	-	-	-	-	-	-	-	81	81
Total income	108,641	78,927	64,059	85,601	324,730	34,960	4,933	450,224	170,272	12,856	884,979
EXPENSES											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	34,910	24,523	48,785	234,117	18,921	1,747	303,570	-	-	363,003
Marketing and other acquisition expenses	-	17,592	16,072	18,515	39,098	8,307	574	66,494	44,693	-	144,851
Maintenance, administrative and general expenses	18,191	6,912	8,975	5,681	12,811	2,548	187	21,227	45,962	3,670	104,937
Finance expenses	45,205	74	68	591	371	115	-	1,077	21,264	37,721	105,409
Other expenses	-	-	-	-	-	-	-	-	1	123	124
Total expenses	63,396	59,488	49,638	73,572	286,397	29,891	2,508	392,368	111,920	41,514	718,324
Income (loss) before taxes on income	45,245	19,439	14,421	12,029	38,333	5,069	2,425	57,856	58,352	(28,658)	166,655
Other comprehensive income (loss) before taxes on income	(4,788)	(2)	-	(106)	(209)	(245)	11	(549)	-	(446)	(5,785)
Comprehensive income (loss) before taxes on income	40,457	19,437	14,421	11,923	38,124	4,824	2,436	57,307	58,352	(29,104)	160,870

CONDENSED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder are the results of the segments of activity: (Cont.)

	Three months ended as at June 30, 2018										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				Total
	Unaudited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	63,535	59,583	100,037	314,248	34,181	3,994	452,460	-	-	575,578
Income from lease of properties	60,577	-	-	-	-	-	-	-	-	(1,709)	58,868
Increase in value of investment property and property under construction, net	2,688	-	-	-	-	-	-	-	-	-	2,688
Net gains from investments and other finance income	1,320	3,199	511	11,319	4,295	1,096	380	17,090	104	2,059	24,283
Income from management fees	-	1,453	-	-	-	-	-	-	-	-	1,453
Income from grant of consumer credit	-	-	-	-	-	-	-	-	127,208	(56)	127,152
Income from commissions	-	2,813	605	7,634	-	2,798	-	10,432	-	-	13,850
Total income	64,585	71,000	60,699	118,990	318,543	38,075	4,374	479,982	127,312	294	803,872
EXPENSES											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	35,964	23,936	102,675	216,172	19,829	1,885	340,561	-	(306)	400,155
Marketing and other acquisition expenses	-	14,602	17,112	16,050	35,709	7,076	502	59,337	43,262	(761)	133,552
Maintenance, administrative and general expenses	17,695	5,742	7,566	5,683	11,775	2,124	141	19,723	45,499	7,534	103,759
Finance expenses	32,022	17	-	135	143	26	-	304	17,433	17,333	67,109
Other expenses	19	-	-	-	-	-	-	-	-	219	238
Total expenses	49,736	56,325	48,614	124,543	263,799	29,055	2,528	419,925	106,194	24,019	704,813
Income (loss) before taxes on income	14,849	14,675	12,085	(5,553)	54,744	9,020	1,846	60,057	21,118	(23,725)	99,059
Other comprehensive loss before taxes on income	(5,694)	-	-	(143)	(115)	(54)	(7)	(319)	-	(309)	(6,322)
Comprehensive income (loss) before taxes on income	9,155	14,675	12,085	(5,696)	54,629	8,966	1,839	59,738	21,118	(24,034)	92,737

CONDENSED INTERIM CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**NOTE 3:- SEGMENTS OF ACTIVITY (Cont.)**

b. Hereunder are the results of the segments of activity: (Cont.)

	Year ended as at December 31, 2018										
	Investment property	Life assurance and long term savings	Health insurance	General insurance				Consumer credit granted	Unallocated and offset in activities between segments	Total	
				Motor act	Motor casco	Property and others	Other liabilities				
	Audited										
NIS in thousands											
INCOME											
Premiums earned on retention	-	257,040	243,766	366,333	1,262,634	130,420	16,665	1,776,052	-	-	2,276,858
Income from lease of properties	244,214	-	-	-	-	-	-	-	-	(7,252)	236,962
Increase in value of investment property and property under construction, net	24,576	-	-	-	-	-	-	-	-	-	24,576
Net gains (losses) from investments and other finance income (expenses)	(3,672)	(3,684)	1,295	34,659	12,344	2,223	1,183	50,409	2,608	20,987	67,943
Income from management fees	-	5,790	-	-	-	-	-	-	-	-	5,790
Income from grant of consumer credit	-	-	-	-	-	-	-	-	482,748	(68)	482,680
Income from commissions	-	12,373	2,369	37,250	-	12,880	-	50,130	-	-	64,872
Other income	-	-	-	-	-	-	-	-	50	126	176
Total income	265,118	271,519	247,430	438,242	1,274,978	145,523	17,848	1,876,591	485,406	13,793	3,159,857
EXPENSES											
Payments and change in liabilities in respect of insurance contracts and investment contracts on retention	-	107,970	101,470	381,861	906,616	77,473	12,579	1,378,529	-	(1,235)	1,586,734
Marketing and other acquisition expenses	-	63,460	73,906	69,068	148,888	29,945	2,360	250,261	167,940	(3,065)	552,502
Maintenance, administrative and general expenses	69,907	24,524	31,644	20,474	48,356	9,821	595	79,246	167,202	22,177	394,700
Finance expenses	115,932	68	-	707	461	104	-	1,272	43,696	91,356	252,324
Other expenses	61	-	-	-	-	-	-	-	-	471	532
Total expenses	185,900	196,022	207,020	472,110	1,104,321	117,343	15,534	1,709,308	378,838	109,704	2,786,792
Income (loss) before taxes on income	79,218	75,497	40,410	(33,868)	170,657	28,180	2,314	167,283	106,568	(95,911)	373,065
Other comprehensive income (loss) before taxes on income	5,205	(541)	(599)	(5,281)	(3,107)	(529)	(183)	(9,100)	-	(6,328)	(11,363)
Comprehensive income (loss) before taxes on income	84,423	74,956	39,811	(39,149)	167,550	27,651	2,131	158,183	106,568	(102,239)	361,702